

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301  
Indianapolis, IN 46204  
(317) 233-0696  
<http://www.in.gov/legislative>

**FISCAL IMPACT STATEMENT**

**LS 7122**

**BILL NUMBER:** HB 1412

**NOTE PREPARED:** Jan 13, 2013

**BILL AMENDED:**

**SUBJECT:** Economic Development.

**FIRST AUTHOR:** Rep. Heuer

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:** ☒ **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** This bill requires the Indiana Economic Development Corporation (IEDC) to award an EDGE+ bonus credit to taxpayers who are subject to the federal medical device excise tax (MDET) and create or retain jobs in Indiana.

**Effective Date:** January 1, 2013 (retroactive).

**Explanation of State Expenditures:** *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise forms, update instructions, and modify the existing tax processing system to implement this bill. The DOR's current level of funding and resources should be sufficient to administer this tax credit.

*Indiana Economic Development Corporation (IEDC):* The IEDC will incur additional expenses to revise forms, update instructions, and modify the existing EDGE approval process. The IEDC's current level of funding and resources should be sufficient to administer this tax credit.

**Explanation of State Revenues:** *Summary* - This bill establishes a bonus EDGE credit for businesses who are subject to the MDET. The bill states the EDGE+ credit is provided in addition to the standard EDGE credit the business may be receiving. The tax credit goes into effect in year 2013, so the revenue impact would likely begin in FY 2014. EDGE+ is a refundable credit that may be applied to an adjusted gross income tax liability. The estimated revenue loss from taxpayers claiming an EDGE+ credit may range from \$3.9 M to \$9.7 M a year beginning in FY 2014. Credits claimed will directly reduce deposits to the state General Fund. The actual amount of credits claimed depends largely on the number of applicants, and the amount of credits the IEDC authorizes.

*Additional Information* - The EDGE+ credit for creating jobs equals the lesser of \$5,000 per job created in the taxable year or 50% of the taxpayer's MDET liability. The EDGE+ credit for retaining jobs equals the lesser of \$2,500 per job retained or 50% of the taxpayer's MDET liability. In order to receive the credit, a taxpayer must submit an application to the IEDC for approval. The IEDC will evaluate applications using the same criteria used for the EDGE credit. The EDGE+ may be offered only if the taxpayer has MDET liability. Otherwise, the credit has all the other attributes of the EDGE credit. That includes the \$10 M annual statewide credit limit for retaining jobs, and the restriction that the total credit received by the taxpayer may not exceed 100% of the incremental income tax withholdings. The EDGE+ credit expires December 31, 2016.

The MDET is a federal excise tax imposed on the sale of certain medical devices by the manufacturer or importer of the device. The tax equals 2.3% of the sale price of the device, and it applies to all sales after December 31, 2012. According to the quarterly census of employment and wages, there are approximately 280 Indiana manufacturing establishments whose business may be subject to the MDET. The total employment of those establishments in Q1 of year 2012 was 26,500. That is nearly 4,000 more than the total employment of businesses in that sector for Q1 of year 2011.

The estimate assumes that 10% of the qualifying businesses will apply and be approved by the IEDC for the EDGE+ credit. The lower boundary was computed by estimating the MDET liability for Indiana medical equipment manufacturers using the Annual Survey of Manufacturers published by the U.S. Census Bureau. While the upper boundary was derived from changes in employment between year 2011 and 2012 by the sector businesses. These methods were chosen because it is uncertain which computation method will produce a lesser a credit amount once they are applied to an individual firm. Ultimately, the amount of EDGE+ credits offered will be determined by the IEDC's approval process.

*Background Information* - The EDGE credit is for businesses that either create new investment and jobs in Indiana, or undertake projects to retain existing jobs in Indiana. Credit amounts are determined by the IEDC, but may not exceed the incremental income tax withholdings of new or retained employees. EDGE credits are awarded for up to 10 years during which time the credit amounts may be used. The IEDC is authorized to make EDGE credits refundable. EDGE credits may be taken against a taxpayer's individual or corporate AGI Tax, Insurance Premiums Tax, or Financial Institutions Tax liabilities. The aggregate amount of credits awarded for projects to retain existing jobs in Indiana may not exceed \$10 M per year. There is not an aggregate limit on EDGE credits for new jobs. In 2010, the EDGE credit was claimed by 1,078 taxpayers for a total of \$35.8 M.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of State Revenue; Indiana Economic Development Corporation.

**Local Agencies Affected:**

**Information Sources:** LSA Unemployment Payroll Reporting Database; LSA Income Tax Database; U.S. Census Bureau, *Annual Survey of Manufacturers 2011*, 11/08/2012; Bureau of Economic Statistics.

**Fiscal Analyst:** Heath Holloway, 232-9867.